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POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

DOCKET NO. N2012-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MARTIN TO QUESTION 13 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 1 [ERRATA]

The Postal Service hereby gives notice of the filing of errata to Postal Service witness Martin's January 31, 2012, response to Question 13 of Presiding Officer's Information Request No. 1.

The original response incorrectly stated that the methodology used to estimate the number of pounds of mail diverted from surface to air was based on the service standards matrix for Quarter 1 of FY2011. The revised response correctly states that the methodology was based on the service standards matrix for Quarter 1 of FY2012. Additionally, the original response incorrectly stated that the relevant service standards matrix was publicly available at https://ribbs.usps.gov/index.cfm?page=modernservice. The service standards matrix for Quarter 1 of FY2012 is being filed today under library reference USPS-LR-N2012-1/62. The response has been revised to refer to that library reference.

The attached, revised response supersedes the response filed on January 31, 2012.

Respectfully submitted,

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MARTIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

13. On page 15 of her testimony, witness Martin (USPS-T-6) estimates that 124 million pounds of First-Class Mail with a three-day service standard will be diverted from surface to air transportation annually as a result of the proposed changes in critical entry times.
    a. Please explain in detail the methodology used for estimating the number of pounds diverted.
    b. Provide all supporting calculations.
    c. Please quantify the surface transportation cost savings that result from moving 124 million pounds of mail to air transportation.
    d. Please provide the estimated cost savings from mail diverted from air transportation to surface transportation as a result of changes in service standards. Include all supporting calculations, and identify where in the transportation cost savings estimates savings from diverting mail from air to surface is incorporated.

RESPONSE:

Please note that the Direct Testimony of Cheryl D. Martin on Behalf of the Postal Service (USPS-T-6) at 15, lines 3 through 5, was Revised on January 23, 2012. The revised testimony states, "I have estimated that the volume of mail that will be transported via air transportation will increase by approximately 124 million pounds annually over current mail volumes transported by air." This correction is intended to clarify that the 124 million pound figure actually represents the net increase in air mail weight, not the total number of pounds that will be diverted from surface to air transportation annually as a result of the proposed changes in critical entry times.

(a-b) The following methodology and calculations were used to estimate the net volume and weight of First-Class Mail ("FCM") with a with a three-day service standard that will be diverted from surface to air transportation annually as a result of the proposed changes in critical entry times. Except where indicated below, the input data files are contained in library references USPS-LR-N2012-1/25 and USPS-LR-N2012-1/NP7.

RESPONSE TO QUESTION 13 (CONT.):

1. The analysis began with the service standards matrix for Quarter 1 of FY2012. This matrix contains 850,950 Origin Three-Digit ZIP Code ("OZIP3") and Destination Three-Digit ZIP Code ("DZIP3") pairs ("O/D pairs"). It also contains the Quarter 1, FY2012 FCM service standard for each O/D pair. This service standards matrix is contained in a tab-delimited text file, "OrigStndPQ1FY2012," and is filed under Library Reference USPS-LR-N2012-1/62.
2. The current OZIP3-DZIP3 transportation mode matrix (file name "Current FCM Modes") was mapped to the service standards matrix described in ¶ 1 using the SAS code contained in the file "Attach.Resp. POIR1.Q13." This SAS code file has been filed under library reference USPS-LR-N2012-1/60.
3. The data in the file "FY2010 FCM ADV" were also mapped to the service standards matrix described in ¶ 1 using the SAS code. This file contains the average daily volume ("ADV") for FCM for the O/D pairs in FY2010. Steps 1-3 yielded the current mode and the average daily volume for the O/D pairs.
4. To determine the new transportation modes for the O/D pairs, the proposed outgoing and incoming facilities for the O/D ZIP Codes were mapped to the service standard matrix described in ¶ 1 using the SAS code. The information that links the proposed facilities to their ZIP Codes is filed under library reference USPS-LR-N2012-

RESPONSE TO QUESTION 13 (CONT.):

1/17 (spreadsheet titled "17_ZipAssignment_LocalInsight").

5. The distance between the proposed facilities was mapped to the service standard matrix described in ¶ 1 using the SAS code. Facility-to-facility distance information is contained in the file "Proposed L201 to SCF Drive Time." PC Miler batchpro version 20.1, software that allows for the generation of road mileage estimates between any two points, was used to estimate the mileage between the proposed facility pairs. Time zones of the facilities were also mapped to the service standards matrix. Time zone data are publicly available.

6. The driving time between the proposed origin and destination pairs was determined by dividing the distances (d) between those facilities by a fixed travel speed (46.5 miles per hour). The driving time was then adjusted to account for time-zone changes between the origin and destination facilities. For example, if under the proposed network mail would be traveling from a facility in the Eastern Standard Time zone to one in the Central Standard Time zone, we subtract an hour from the actual driving time to account for the hour "gained" by traveling from one time zone to the other.

7. For mail traveling within the Continental United States (CONUS), the new service standard and transportation mode for each O/D

RESPONSE TO QUESTION 13 (CONT.):

pair were determined as follows:[1]

a. The pair was assigned two-day surface when the adjusted drive time between the two facilities was four hours or less. This includes instances where the incoming and outgoing processes occur at the same facility.

b. Remaining pairs were assigned three-day surface when the adjusted drive time between facilities was less than 24 hours.

c. All remaining pairs that did not meet the criteria above were assigned to three-day air.

8. The operations above permitted us to produce a file ("Proposed FCM Modes") that contained the new transportation modes for the proposed O/D pairs. Changes in the mode of transportation for particular O/D pairs, and the associated volumes, were determined by comparing the data in the "Current FCM Modes" spreadsheet with data in the "Proposed FCM Modes" spreadsheet as follows:

a. For each O/D pair, if the current mode is air and the new mode is surface, then FCM volume for that O/D pair would be diverted from air to surface. The FCM volumes for these O/D pairs were aggregated to determine the total volume of FCM that will be diverted from air to surface.

[1] The mode remained the same for all offshore pairs.

RESPONSE TO QUESTION 13 (CONT.):

b. For each O/D pair, if the current mode is surface and the new mode is air, then FCM volume for that O/D pair would be diverted from surface to air. The FCM volumes for these O/D pairs were aggregated to determine the total volume of FCM that would be diverted from surface to air.

c. The total volume of FCM that would be diverted from air to surface was subtracted from the total volume of FCM that will be diverted from surface to air, thereby yielding the net volume of FCM that will be diverted from surface to air.

9. To convert the volume into annual weight, the change in air volume was converted from average daily volume (ADV) into annual volume by multiplying the volume by 302 processing days. The annual volume was converted to weight using a factor of .047LB/piece.

The responsive data are contained in the following files in library references USPS-LR-N2012-1/25 and USPS-LR-N2012-1/NP7. The results of these calculations are provided in USPS-LR-N2012-1/11 in the spreadsheet titled "Air Transportation Volume Diversion Data."

(c) The surface transportation cost savings arising from shifting mail from highway transportation to air transportation are already captured in the overall estimated reduction of approximately 24.7 percent for Plant-to-Plant transportation. Because no material savings are expected from the

RESPONSE TO QUESTION 13 (CONT.):

estimated reduction in highway transportation volume, no attempt was made to quantify that small part of the overall cost savings separately. The rationale for expecting no material cost savings is that the affected volume diverted to air transportation currently travels across many different trips in the surface network. Among other things, these trips carry mail volume for several destinations to surface transfer centers for additional sorting and transfer. Thus, the estimated reduction in highway volume of just 529 thousand pounds per day is so small compared to the surface network's size that it will likely decrease capacity utilization rather than eliminate entire trips.

(d) The cost saving arising from mail being diverted from air transportation to surface transportation is already included in the overall increase in air transportation cost calculated by witness Bradley. That is because he calculates the additional cost of the net additional volume of 124 million pounds being diverted to air. As the table on the next page shows, the 124 million pounds is the difference between the amount of mail being diverted from surface to air transportation and the amount of mail being diverted the other way. As also shown, the approximately 118 thousand pounds per day diversion of volume from air to surface is quite small compared to the overall size of the highway transportation network and will not cause a measurable increase in highway costs.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MARTIN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

RESPONSE TO QUESTION 13 (CONT.):

	ADV	ADV LBS	Annual LBS
Air to Surface	2,505,946	118,332	35,736,362
Surface to Air	11,216,625	529,656	159,956,131
DIFF	**8,710,679**	**411,324**	**124,219,769**

Revised February 7, 2012